

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	1
LOCAL OFFICE RESPONSE	2
FINDINGS AND RECOMMENDATIONS	
Cash Receipts	
Mail Delivery	2
Cash Disbursements	
Separation of Duties	2
General Ledger	3
Modified Accrual Basis Balance Sheet	
Account Balances	3
Safe and Controlled Documents	
Controlled Document Log	3
State Emergency Relief	3
Employment Support Services	
Insufficient Documentation for ESS Payments	3-4
Client Processing	4
CIS/ASSIST	
CIS Status Codes	4
IRS Information Security	4
Payroll and Timekeeping	
Payroll Record Retention	4
Procurement Card	5

INTRODUCTION

The Office of Internal Audit performed an audit of Ottawa County FIA for the period April 1, 2002 through March 31, 2003. The objective of our audit was to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Ottawa County FIA had 110 full time equated positions (FTE's) at the time of our review. Ottawa County FIA provided assistance to an average 4,068 recipients per month in FY 2002, with total assistance payments of \$4,597,277 for the fiscal year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Ottawa County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
General Ledger	Modified Accrual Basis Balance Sheet
Safe and Controlled Documents	State Emergency Relief (SER)
Employment Support Services	Client Processing
CIS/ASSIST	IRS Information Security
Payroll and Timekeeping	Procurement Card

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Ottawa County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We did however, find instances of noncompliance with FIA policies and procedures, which are detailed below.

LOCAL OFFICE RESPONSE

Ottawa County FIA did not respond to our draft report.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Mail Delivery

1. Ottawa County FIA received mail from the post office in an unlocked mail container. The mail container was left in an unsecured area. The Primary Internal Control Criteria for FIA Local/District Office Operations recommends that a designated employee receive the mail and place it in a secure location until it can be opened.

WE RECOMMEND that Ottawa County FIA designate an employee to receive the mail and secure it until it can be opened.

Cash Disbursements

Separation of Duties

2. Ottawa County FIA did not properly separate the cash disbursement duties. Our review disclosed that the same employee prepared and signed checks and also reconciled the bank statement. Accounting Manual Item 410 states that for internal control purposes, the person responsible for signing the checks should be an employee independent of the cash disbursing function. Accounting Manual Item 405 states that the person reconciling the disbursing account should not be responsible for check writing.

WE RECOMMEND Ottawa County FIA have an employee independent of the cash disbursement function operate the check signing machine and perform the bank reconciliation.

General Ledger

No findings in this area.

Modified Accrual Basis Balance Sheet

Account Balances

3. The balances shown in the General Ledger did not agree with the balances shown on the Ottawa County FIA Balance Sheet. The incorrect balances in the General Ledger appear to have occurred during conversion to LASR.

WE RECOMMEND that Ottawa County FIA correct the balances in its General Ledger.

Safe and Controlled Documents

Controlled Document Log

4. Ottawa County FIA did not properly control bus tickets. They did not record them in inventory when they were received, but waited until a schedule of them was completed at a later date. Bus tickets should be recorded into inventory as soon as they are received to prevent loss, theft or misuse.

WE RECOMMEND that Ottawa County FIA record bus tickets into inventory as soon as they are received.

State Emergency Relief

No findings in this area.

Employment Support Services

Insufficient Documentation for ESS Payments

5. Ottawa County FIA did not have sufficient documentation on file to support all Employment Support Services payments. We reviewed seven case files and noted that in two instances there was no authorizing signature and in two instances there was no proof of vehicle ownership for vehicle repairs. Program Eligibility Manual,

Section 232, outlines the authorization and documentation requirements for Employment Support Services payments.

WE RECOMMEND that Ottawa County FIA maintain all documentation and authorizations required by policy in the case files.

Client Processing

No findings in this area.

CIS/ASSIST

CIS Status Codes

6. The fiscal supervisor at Ottawa County FIA had a CRS status code on the Client Information System (CIS). This status code would allow the fiscal supervisor to make changes to client and process payment to those cases.

WE RECOMMEND that Ottawa County change the fiscal supervisor to inquiry only status on CIS.

IRS Information Security

No findings in this area.

Payroll and Timekeeping

Payroll Record Retention

7. The Ottawa County FIA timekeeper maintained the certified copy of the Time and Attendance Summary Report (HR-332A). The Primary Internal Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that Ottawa County FIA have the certifier or someone other than the timekeeper retain the HR-332A.

Procurement Card

No findings in this area.